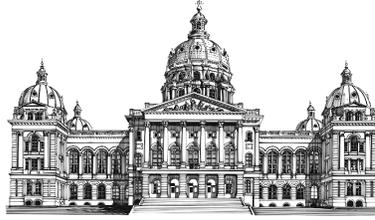

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Iowa College Student Debt

ISSUE

The amount of debt Iowa's college students accumulate earning a bachelor's degree has been growing. This **Issue Review** examines that trend and its impact on graduates' ability to repay student loans.

AFFECTED AGENCIES

Iowa College Student Aid Commission
Board of Regents and Regents Universities
Community Colleges
Private Colleges

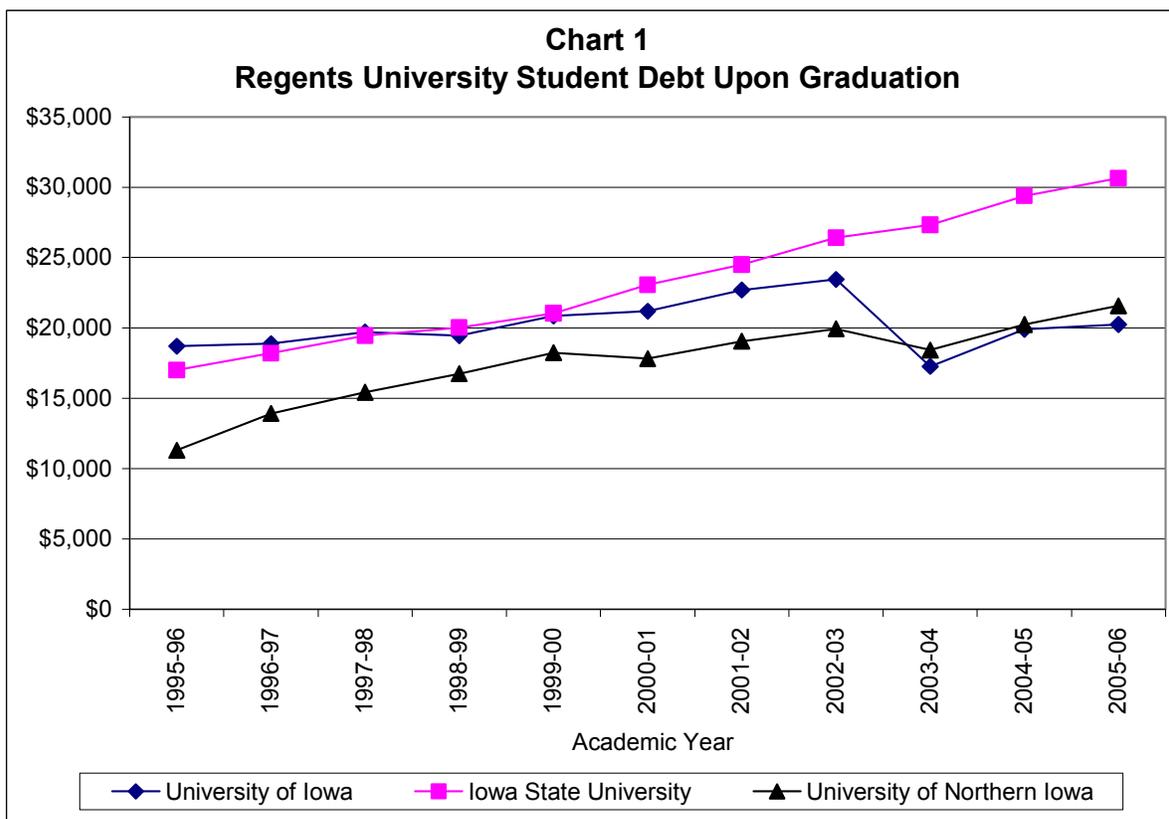
BACKGROUND

The Project on Student Debt recently published its Report, "Student Debt and the Class of 2006 (September 2007)," ranking Iowa sixth nationally for average student debt (\$22,926) and second for the percentage of graduates with student loan debt (74.0%). (See **Attachments A** and **B**.) The Report acknowledges that nationwide, fewer than half of all four-year colleges, with 57.0% of the undergraduate four-year college enrollment, provided usable debt data.

A report prepared by the Iowa College Student Aid Commission shows college student debt upon graduation to be \$2,064 higher than the national survey, averaging \$24,990 for 72.5% of the 14,372 college graduates. (See **Attachment C**.) The average debt for the 5,773 (66.7%) graduates from the three Regents universities was \$25,210. The 4,358 (80.6%) graduates from four-year private colleges had an average debt of \$24,729, and 283 (90.1%) of the graduates from the six proprietary colleges had an average debt of \$24,512. The combined debt for all of these students totaled \$260.2 million.

CURRENT SITUATION

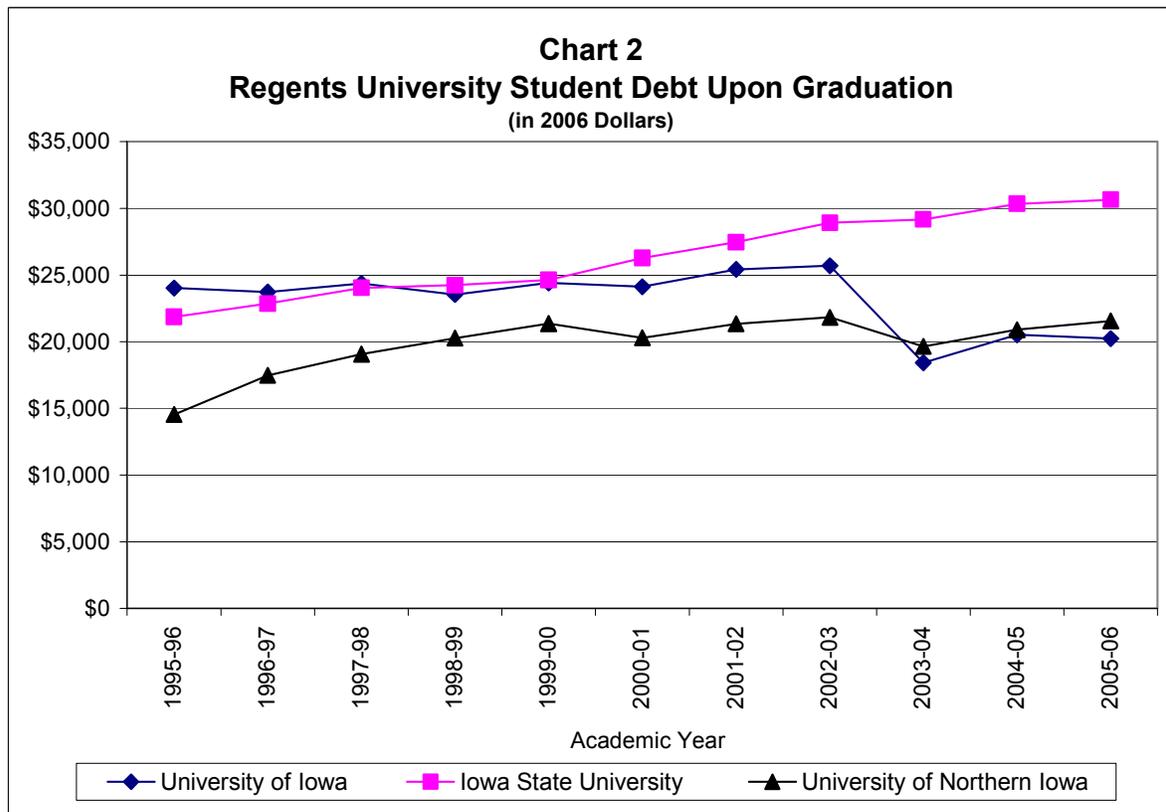
The student debt at graduation has been increasing for the three Regents universities. **Chart 1** shows the student loan debt upon graduation since the 1995-1996 academic year. The drop in average debt for the 2003-2004 academic year is attributed to exclusion of the Parent Loan for Undergraduate Students (PLUS) loans as required by national surveys. Between 1995-1996 and 2002-2003, when the PLUS loans were included, the average debt for students graduating with debt increased \$4,756 (25.4%) for the University of Iowa, \$9,394 (55.5%) for Iowa State University, and \$8,616 (76.2%) for the University of Northern Iowa.



Source: Board of Regents

Chart 2 shows student debt at graduation after adjusting for the standard Consumer Price Index (CPI). The CPI is used instead of the Higher Education Price Index (HEPI), because the dollars to pay for a college education come from an individual’s or a family’s budget, and the focus of this examination is on the individual and family budget.

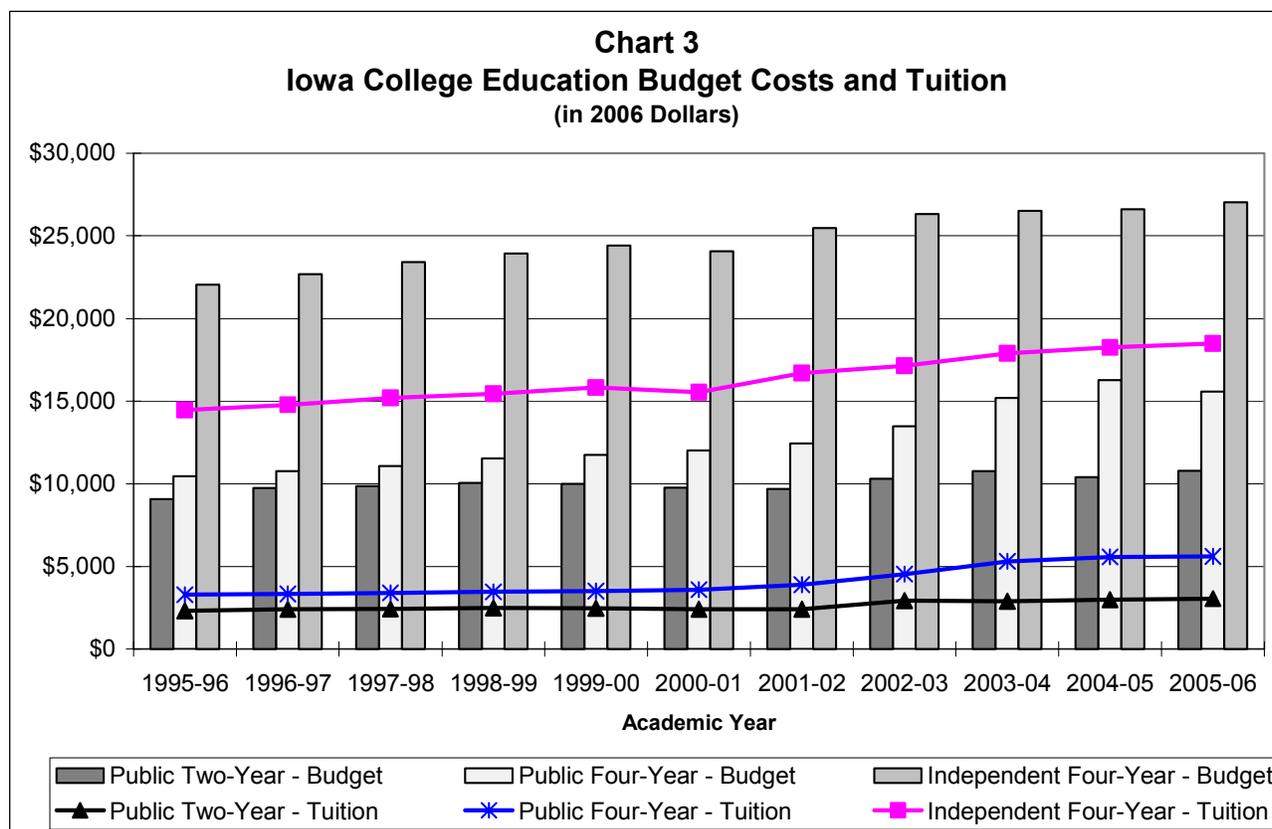
The University of Iowa shows a relative constant average debt, until it drops with the elimination of the PLUS loans. The University of Northern Iowa and Iowa State University both increase more than \$7,000 through 2002-2003. Iowa State University ends the decade with an \$8,784 (40.2%) debt increase stated in constant 2006 dollars while the University of Northern Iowa shows a \$7,029 (48.4%) increase even with the calculation change.



Source: Board of Regents

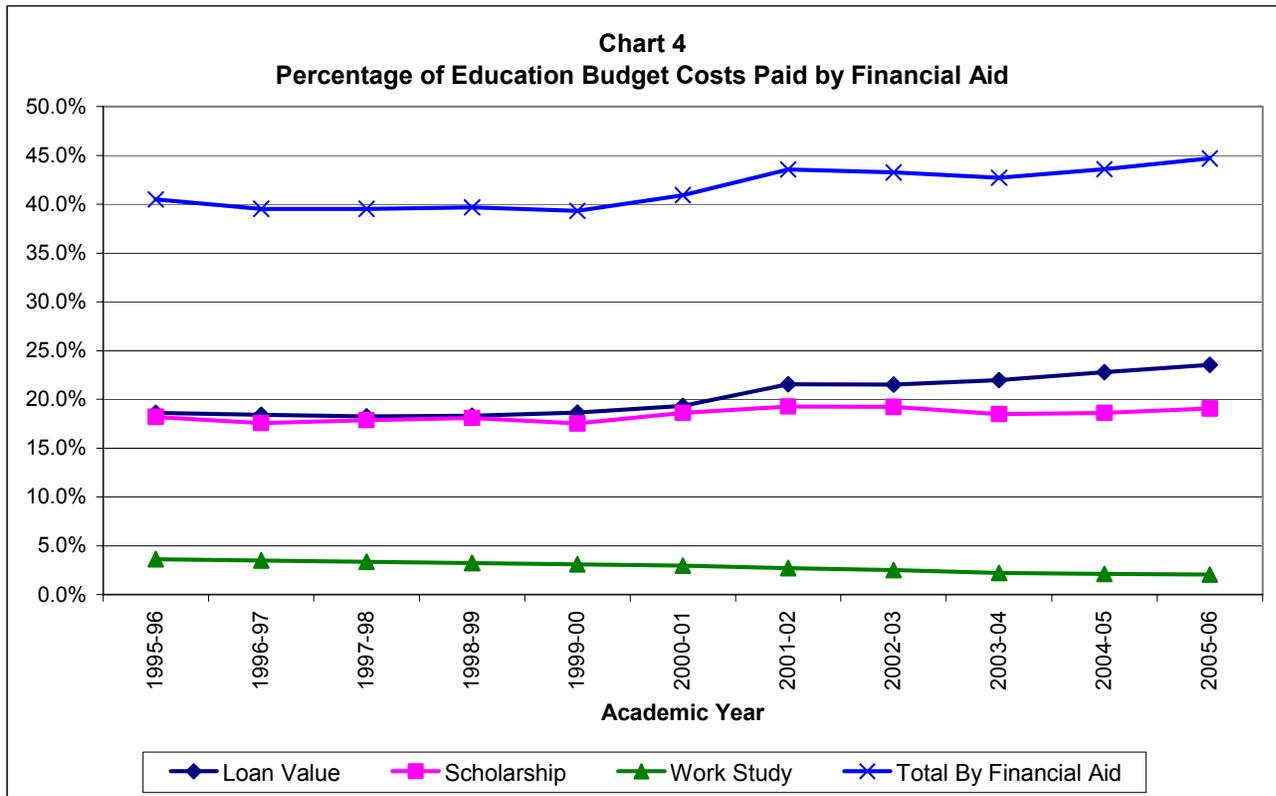
Between academic years 1995-1996 and 2006-2007, Iowa higher education institutions have experienced enrollment and tuition increases. Enrollment has grown 33,319 (19.7%) students. Average tuition increased \$3,403 (132.6%) for public universities, \$1,429 (79.1%) for community colleges, and \$8,278 (73.5%) at private colleges. The CPI increased 28.5% while the HEPI increased 45.6%. Iowa’s median household income increased \$14,917 (44.9%). Financial aid to Iowa undergraduates increased \$1,044.6 million (231.0%).

Chart 3 shows annual tuition and budget costs for the last decade adjusted by the CPI. Budget costs include tuition and fees, room and board, and a nine-month allowance for books, transportation, and personal expenses. Community college budget costs increased 18.9%, Regents universities budget costs increased 48.9%, and private colleges increased 22.6%. After adjusting for inflation and using 2006 as the base year, tuition increased 31.6% for community colleges, 70.3% for Regents universities, and 27.8% for private colleges.



Source: Iowa College Student Aid Commission

These increases had some effect on the need for financial aid to pay for a college education. **Chart 4** shows the percentage of college education budget costs paid by the types of financial aid. Overall there was increased reliance on financial aid with the total mix of financial aid increasing from 41.5% to 44.7%, an increase of 4.2% or \$140.6 million in 2006 dollars. The mix of financial aid changed over the decade. The use of loans accounted for most of the change in financial aid growing from 18.6% of the budget costs to 23.6%, an increase of 4.9% or \$164.8 million in 2006 dollars. Reliance on scholarships increased from 18.2% to 19.1%, a change of 0.9% or \$29.2 million in 2006 dollars. Work study decreased from 3.6% to 2.0% of the budget costs, a decrease of 1.6% or \$53.5 million in 2006 dollars. Throughout this period, over half the budget costs of a college education came from parents, outside employment, or other sources.



Source: College Student Aid Commission

BUDGET IMPACT

The use of debt to finance a college education affects the financial future of college graduates. According to the Iowa College Student Aid Commission's brochure, "Exit Counseling: Your Guide to Successful Repayment," the maximum feasible (affordable) level of debt repayment is 8.0% of a graduate's starting salary. **Table 1** provides estimates for loan repayments using a standard 10-year repayment schedule, assuming a 7.22% annual interest rate for five levels of debt, and estimated starting salaries for selected professions.

Student Debt Amount	\$ 6,000	\$ 18,000	\$ 24,990	\$ 30,000	\$ 50,000
Monthly Payment	70	211	293	352	586
Annual Payment	844	2,532	3,516	4,221	7,035
Starting Salary for Feasible Repayment	10,550	31,650	43,950	52,763	87,938
Occupation	Chemical Engineer	Accountant	Market Research Analyst	Elementary Teacher	Graphic Designer
Starting Salary	\$ 48,940	\$ 31,430	\$ 29,150	\$ 22,230	\$ 20,290
Percentage of Salary					
\$6,000 Debt	1.7%	2.7%	2.9%	3.8%	4.2%
\$18,000 Debt	5.2%	8.1%	8.7%	11.4%	12.5%
\$24,990 Debt	7.2%	11.2%	12.1%	15.8%	17.3%
\$30,000 Debt	8.6%	13.4%	14.5%	19.0%	20.8%
\$50,000 Debt	14.4%	22.4%	24.1%	31.6%	34.7%

Source: College Student Aid Commission

The **Table** highlights the average debt for an Iowa graduate with student loan debt (\$24,990) and illustrates that the graduate would need a starting salary of \$43,950 to meet the 8.0% feasible repayment criteria. The starting salaries for the selected professions easily accommodate the \$6,000 debt level. The engineer can accommodate the \$18,000 debt repayments, and the accountant and market research analyst approach the feasibility criteria. Out of the five professions shown here, only the engineer can reasonably accommodate the loan repayment for the average amount of debt of an Iowa graduate.

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Iowa College Student Debt
<http://www.legis.state.ia.us/lsadoc/lssReview/2008/IRMDf001.pdf>
 LSA/FSD/IRMDf001.doc/10/30/07/9:32 am

Change in Average Debt, by State-Class of 2005 to 2006

State	Institutions		Students	Class of 2005		Class of 2006		% Change
	Total	Usable	% Represented in	Average		Average		
		Data	Usable Data	Debt	Rank	Debt	Rank	
Alabama	33	9	51%	\$ 19,426	15	\$ 20,389	16	5%
Alaska	5	1	30%	13,432	n/a	24,656	n/a	n/a
Arizona	16	5	89%	17,662	26	18,026	33	2%
Arkansas	21	9	42%	17,636	27	19,256	24	9%
California	119	44	58%	15,010	43	17,270	41	15%
Colorado	24	9	49%	16,028	38	18,565	28	16%
Connecticut	26	8	51%	21,402	5	23,469	4	10%
Delaware	5	2	77%	14,523	44	17,589	40	21%
District of Columbia	10	3	47%	25,402	1	27,757	1	9%
Florida	60	21	55%	18,604	20	19,543	22	5%
Georgia	49	18	51%	16,807	32	17,753	36	6%
Hawaii	6	3	75%	12,535	46	11,758	46	-6%
Idaho	8	4	49%	19,016	18	20,696	13	9%
Illinois	76	34	72%	16,668	35	17,650	38	6%
Indiana	47	30	74%	20,261	8	21,179	9	5%
Iowa	36	19	60%	21,477	4	22,926	6	7%
Kansas	26	8	52%	16,123	37	17,617	39	9%
Kentucky	31	18	53%	15,903	39	15,406	44	3%
Louisiana	26	7	56%	17,266	28	18,012	34	4%
Maine	20	12	78%	21,900	3	22,877	7	4%
Maryland	33	14	69%	15,758	40	16,872	42	7%
Massachusetts	75	36	57%	17,721	25	19,018	26	7%
Michigan	58	23	63%	19,792	11	21,169	10	7%
Minnesota	39	20	52%	20,144	9	23,375	5	16%
Mississippi	19	6	43%	16,919	31	18,162	30	7%
Missouri	51	22	60%	16,593	36	18,635	27	12%
Montana	10	2	14%	17,005	n/a	17,209	n/a	n/a
Nebraska	24	9	44%	18,524	22	19,198	25	4%
Nevada	5	0	0%	n/a	n/a	n/a	n/a	n/a
New Hampshire	16	10	71%	22,789	2	24,800	2	9%
New Jersey	33	12	62%	15,725	42	20,142	18	28%
New Mexico	13	1	1%	22,140	n/a	28,770	n/a	n/a
New York	176	58	49%	18,950	19	21,092	12	11%
North Carolina	59	26	48%	16,774	33	17,760	35	6%
North Dakota	12	6	50%	20,458	7	20,644	14	1%
Ohio	89	37	60%	19,393	16	20,525	15	6%
Oklahoma	30	11	57%	17,237	30	17,680	37	3%
Oregon	28	13	62%	19,200	17	19,667	20	2%
Pennsylvania	125	60	58%	21,026	6	22,776	8	8%
Rhode Island	11	3	23%	23,616	n/a	21,577	n/a	n/a
South Carolina	35	12	49%	18,573	21	19,697	19	6%
South Dakota	15	7	78%	19,829	10	21,103	11	6%
Tennessee	46	24	69%	19,701	13	19,549	21	-1%
Texas	86	32	48%	18,242	23	18,334	29	1%
Utah	9	4	49%	12,739	45	12,807	45	1%
Vermont	18	10	56%	19,660	14	23,839	3	21%
Virginia	44	21	67%	17,250	29	18,039	32	5%
Washington	27	13	66%	19,748	12	18,040	31	-9%
West Virginia	21	12	62%	15,738	41	20,360	17	29%
Wisconsin	35	22	69%	17,777	24	19,536	23	10%
Wyoming	1	1	100%	16,741	34	16,855	43	1%
National	1887	791	57%	\$ 18,259		\$ 19,646		8%

Source: Project on Student Debt (September 2007) and Iowa College Student Aid Commission

Change in Percentage with Debt, by State-Class of 2005 to 2006

State	Institutions		Students	Class of 2005		Class of 2006		% Change
	Total	Usable Data	% Represented in Usable data	Percent with Debt	Rank	Percent with Debt	Rank	
Alabama	33	9	51%	60%	17	56%	30	-4%
Alaska	5	1	30%	49%	n/a	52%	n/a	n/a%
Arizona	16	5	89%	52%	37	48%	40	-4%
Arkansas	21	9	42%	56%	28	56%	28	0%
California	119	44	58%	46%	41	47%	42	1%
Colorado	24	9	49%	52%	36	48%	41	-4%
Connecticut	26	8	51%	59%	18	58%	24	-2%
Delaware	5	2	77%	45%	44	48%	39	4%
District of Columbia	10	3	47%	49%	40	49%	38	0%
Florida	60	21	55%	49%	39	51%	37	1%
Georgia	49	18	51%	57%	25	56%	31	-2%
Hawaii	6	3	75%	34%	46	29%	46	-4%
Idaho	8	4	49%	67%	8	68%	7	1%
Illinois	76	34	72%	53%	35	52%	35	-1%
Indiana	47	30	74%	53%	34	58%	23	5%
Iowa	36	19	60%	70%	5	74%	2	3%
Kansas	26	8	52%	57%	26	57%	26	0%
Kentucky	31	18	53%	54%	32	63%	17	9%
Louisiana	26	7	56%	55%	30	52%	36	-3%
Maine	20	12	78%	71%	3	72%	3	1%
Maryland	33	14	69%	50%	38	53%	34	3%
Massachusetts	75	36	57%	59%	19	60%	20	0%
Michigan	58	23	63%	59%	20	60%	21	0%
Minnesota	39	20	52%	68%	7	72%	4	4%
Mississippi	19	6	43%	59%	21	62%	18	2%
Missouri	51	22	60%	59%	22	66%	12	7%
Montana	10	2	14%	71%	n/a	72%	n/a	n/a
Nebraska	24	9	44%	65%	12	64%	15	-1%
Nevada	5	0	0%	n/a	n/a	n/a	n/a	n/a
New Hampshire	16	10	71%	71%	4	71%	5	0%
New Jersey	33	12	62%	62%	15	65%	13	3%
New Mexico	13	1	1%	76%	n/a	81%	n/a	n/a
New York	176	58	49%	66%	11	66%	9	1%
North Carolina	59	26	48%	56%	29	55%	32	-1%
North Dakota	12	6	50%	75%	2	66%	11	-9%
Ohio	89	37	60%	64%	13	65%	14	1%
Oklahoma	30	11	57%	54%	33	55%	33	1%
Oregon	28	13	62%	66%	10	67%	8	0%
Pennsylvania	125	60	52%	70%	6	69%	6	0%
Rhode Island	11	3	23%	51%	n/a	52%	n/a	n/a
South Carolina	35	12	49%	56%	27	57%	25	1%
South Dakota	15	7	78%	82%	1	84%	1	2%
Tennessee	46	24	69%	46%	42	42%	44	-4%
Texas	86	32	48%	58%	24	56%	29	-2%
Utah	9	4	49%	43%	45	31%	45	-13%
Vermont	18	10	56%	66%	9	66%	10	0%
Virginia	44	21	67%	55%	31	56%	27	2%
Washington	27	13	66%	59%	23	59%	22	0%
West Virginia	21	12	62%	64%	14	61%	19	-3%
Wisconsin	35	22	69%	61%	16	64%	16	4%
Wyoming	1	1	100%	45%	43	44%	43	-1%
National	1887	791	57%	58%		58%		0%

Source: Project on Student Debt (September 2007) and Iowa College Student Aid Commission

Undergraduate Debt on Graduation
Iowa Colleges and Universities
(2005-2006 Academic Year)

	Average Debt	Number with Debt	Total Graduates	Percent with Debt
Regent Universities				
Iowa State University	\$ 32,130	2,226	3,230	68.9%
University of Iowa	20,234 *	2,467	4,025	61.3%
University of Northern Iowa	22,314	1,080	1,399	77.2%
Regent Universities - Total	<u>\$ 25,210</u>	<u>5,773</u>	<u>8,654</u>	<u>66.7%</u>
Four-Year Independent Colleges/Universities				
Allen College	\$ 30,354	22	29	75.9%
Briar Cliff University	26,002	222	263	84.4%
Buena Vista University	31,569	208	222	93.7%
Central College	27,596	250	288	86.8%
Clarke College	22,268	110	137	80.3%
Coe College	26,625	224	291	77.0%
Cornell College	24,955	159	232	68.5%
Divine Word College	18,321	4	7	57.1%
Dordt College	18,000	170	174	97.7%
Drake University	26,700	330	430	76.7%
Emmaus Bible College	14,860	13	16	81.3%
Faith Baptist Bible College and Theological Seminary	17,263	38	45	84.4%
Graceland University-Lamoni	21,697	135	163	82.8%
Grand View College	24,137	329	396	83.1%
Grinnell College	17,975	195	341	57.2%
Iowa Wesleyan College	27,561	40	47	85.1%
Loras College	27,797	153	222	68.9%
Luther College	18,271	427	519	82.3%
Maharishi University of Management	33,408	18	19	94.7%
Mercy College of Health Sciences	13,908	3	6	50.0%
Morningside College	32,793	98	112	87.5%
Mount Mercy College	27,083	93	104	89.4%
Northwestern College	26,047	169	224	75.4%
Saint Ambrose University	18,467	175	219	79.9%
Simpson College	27,328	228	257	88.7%
University of Dubuque	33,559	82	90	91.1%
Upper Iowa University	20,284	88	100	88.0%
Waldorf College	23,034	58	81	71.6%
Wartburg College	28,798	296	345	85.8%
William Penn University	24,697	21	25	84.0%
Four-Year Independent - Total	<u>\$ 24,729</u>	<u>4,358</u>	<u>5,404</u>	<u>80.6%</u>
Proprietary Colleges/Universities				
Ashford University	\$ 22,346	46	60	76.7%
Hamilton College	23,718	49	56	87.5%
Hamilton College	25,440	25	27	92.6%
Hamilton College-Main Campus	24,061	54	58	93.1%
Hamilton College-Mason City Branch	19,780	29	32	90.6%
Kaplan University	27,974	80	81	98.8%
Proprietary - Total	<u>\$ 24,512</u>	<u>283</u>	<u>314</u>	<u>90.1%</u>
Total	<u>\$ 24,990</u>	<u>10,414</u>	<u>14,372</u>	<u>72.5%</u>

(*) Note: The University of Iowa changed data reported for 2005 - 2006, and thereby lowered the averages.

Source: Iowa College Student Aid Commission